



**EL DORADO**

THE FINE ART OF LIVING WELL

May 1, 2020

**Honorable City Commission and Citizens of El Dorado:**

Understanding a municipal government's financial statements first requires an explanation as to how local governments actual plan and manage their finances. Cities (and counties) annually approve the operating budget with various fund budgets that define the parameters for each respective fund. In many cases (although not all), funds align with departments of the municipal organization. For example, the Water Fund provides the budgetary conditions and management tools for the Water Department.

The General Fund is perhaps the most deviant of this guideline because it encapsulates the budgets for several "general governmental" departments such as Police, Fire, Parks, and an assortment of other departments and governmental functions paid from general government receipts. The departments contained in the General Fund share revenue from property taxes, sales taxes (the portion set aside for property tax relief by local ordinance), franchise fees, court fees, building permits, and a host of other revenue sources.

Enterprise funds align with those departments who are intended to operate more like a business enterprise than a government entity. Enterprise funds generate revenue from user fees and charges specific to the utility and not from general government taxes and fees. In other words, the Water, Sewer, Refuse, and Compressed Natural Gas Funds all operate without receiving tax support. Customers are billed for the amount of service provided or consumed during a billing period.

A few other funds operate in a hybrid configuration whereby the fund receives taxes or assessments, but not necessarily property taxes or sales taxes. The Tourism Fund, for example, operates with the majority of its revenue coming from hotel guest taxes. The Airport Fund receives a mill levy to help fund its operations, and it generates revenue from fuel sales and hangar rentals.

The fund system ensures that dollars required to be spent on certain expenses are segregated from other revenues to avoid mixing that would most assuredly occur. I will be the first to admit that the system municipalities use to account for finances is cumbersome and confusing, especially to taxpayers who may be interested in knowing how the City spends tax dollars. Much of the breadth of the City's financial statements are required by law or other accounting principle so that every municipality's financial statements generally contain the same information. It's a world dictated by accountants and not conducive to helping taxpayers who foot the bill understand municipal finance.

The financial statements contained with this letter will provide you the financial information you need to better understand the City's financial condition. When I write this letter each year, I try to think of what I would want to know if the roles were reversed and I were an interested citizen wanting to know how my local government spent my tax dollars. I hope the information provided will enlighten you with an understanding of how your tax dollars were used in the provision of public services.

The City’s financial condition continues to strengthen in some cases and seems to move against a floating current in other cases. The City has been able to add to fund balances in many funds due to increasing revenues and prudently managing expenses. The simple rule is to just spending less than revenues for the year, and is age-old strategy carried out by the most successful businesses, households, and governments. It is the City’s aim every year.

Spending more than revenues creates potential problems, especially when the City runs into a situation requiring an infusion of cash such as a natural disaster or economic downturn. Each fund’s balance provides insurance against these unforeseen situations that will arise from time to time, and that we must be prepared to endure or we may potentially face significant service reductions.

The last several years I have written at length in this letter about structural deficits that can creep up on any government if they do not plan to hold the line on expenditures and then follow through on that plan. A budget is only as good as the paper it is printed on. Local government officials (including the city manager) must work diligently throughout the year to keep expenses as low as possible and within the adopted budget.

Failure to do so means that the local government will spend down its fund balance. Spending down one’s savings account at home means that a household will not have as many funds available to weather a proverbial storm such as a job loss, significant home repair, or emergency medical procedure. In the same way, local governments must have sufficient fund balances to weather storms that arise.

The chart below shows the adopted budget for 2019 as well as the actual revenues and expenditures for select funds. This simplified version of the City’s financial statements will provide you with some clues as to where the City may need to carefully monitor expenses so as to avoid spending down fund balance.

	2019 Adopted Budget		2019 Actual Budget	
	Revenues	Expenditures	Revenues	Expenditures
General	\$9,622,368	\$9,759,273	\$9,523,945	\$9,202,120
Airport	\$295,268	\$295,268	\$294,653	\$276,182
Major Street	\$609,945	\$609,945	\$638,138	\$569,315
Stormwater	\$328,125	\$346,948	\$324,670	\$191,503
Water	\$12,399,971	\$12,363,470	\$12,167,438	\$12,091,301
Sewer	\$2,644,698	\$2,450,206	\$2,908,403	\$2,637,428
Refuse	\$1,583,000	\$1,790,616	\$1,681,580	\$1,577,549
Tourism	\$220,000	\$216,968	\$260,744	\$210,272

When I first informed the City Commission of the need to address several structural deficits within the City’s collection of funds, I shared that solutions would be forthcoming and that the ultimate resolution of the situation would take several years. I can report that the City is getting closer to addressing the structural issues first outlined. To be sure, the journey to financial health is never truly complete and will require the utmost attention and discipline to ensure that the City remains resilient well into the future.

I wish to share one more chart to provide readers with an overview of the fund balances in each of the aforementioned funds. This will give you a sense as to the level of “insurance” the City has available to meet unexpected situations.

	<b>Fund Balances</b>	
	<b>As of Dec 31, 2019</b>	<b>As of Dec 31, 2018</b>
General	\$2,090,818	\$1,768,992
Airport	\$80,834	\$62,364
Major Street	\$28,466	(\$40,347)
Stormwater	\$371,207	\$238,039
Water	\$1,161,898	\$1,085,760
Sewer	\$643,600	\$372,625
Refuse	\$538,866	\$434,836
Tourism	\$254,891	\$204,419

As you can see, all funds increased their fund balance at year-end and all funds exceed their respective minimum fund balance, as established by local policy. The City will continue to thoughtfully manage its budget in a way that hopefully gives taxpayers confidence that services will be provided no matter what happens.

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## **MAJOR FACTORS AFFECTING THE FINANCIAL STATEMENTS**

**Lake Debt Pre-Payment.** It is not very often that a community can pay back \$8.6 million in advance of it being due for payment. After saving cash over the years, the City Commission elected to pre-pay the debt remaining on activated storage space in the lake at a “savings” of about \$4.8 million in interest. The City of El Dorado now owns 49% of the water available in El Dorado Lake for the general water supply needs of the community and surrounding region.

**Record Sales Tax Collections.** Last year, the City of El Dorado received a record \$2.649 million from its one-cent (1.0%) sales tax on retail sales. The record did not last for long as the City brought in \$2.678 million in sales tax receipts, equal to a 1.0% increase from the prior year’s record. The City breached the \$2.6 million mark only twice in its history prior to 2019. It seems we can add another record to the proverbial trophy case as El Dorado claims its third year above the coveted \$2.6 million threshold.

For those keeping score, the City breached the \$2.6 million level in 2015, 2018, and now 2019. This new record will hopefully become more of a new altitude mark instead of a ceiling. This will only be the case if El Dorado residents continue to shop local and if visitors find that the items needed in El Dorado stores while visiting. In all likelihood though, the increased receipts arise from another HollyFrontier turn-around. The next opportunity for a new record may be several years away.

**Rising Assessed Valuations.** Assessed valuations in the City continue to increase primarily because of private investment and private property transactions. In 2019, the assessed valuation of El Dorado increased \$0.98 million, or nearly 1.1%, bringing the total assessed valuation for the community to \$92.9 million. For reference, last year’s valuation came in at about \$91.98 million. The City’s mill levy, which remained steady at 53.000 mills, annually generates about \$4.9 million in ad valorem property taxes to finance essential public services. Of this amount, the City received about \$4.4 million, meaning about 9% of taxes assessed to property owners was

delinquent. The estimated actual value of real and personal property in El Dorado is \$605.5 million compared to \$597.6 million a year ago.

The future bodes well for local valuations due to the occurrence of private development as well as the near-term expiration of several tax abatements. I mentioned in last year's letter that LakePoint El Dorado, LLC, a retirement community, will add about \$2.8 million to the assessed valuation in 2021, and BG Products, Inc. will add another \$24.7 million beginning in 2022. The City continues to anticipate the benefits that will come from the soon-to-be-new tax revenues paid on the valuations of these prior projects. In total, these two projects will collectively contribute nearly \$0.4 million in property taxes per year to the City of El Dorado once tax abatements sunset. This much needed revenue will go straight to public services to address the structural deficit habit the City cannot seem to quit.

**Wind Turbine Lawsuit.** Historically, 2019 will be known as the year the City paid off a significant portion of outstanding lake debt and took ownership of 49% of the storage capacity of El Dorado Lake. It hopefully will not be remembered as the year the wind turbine at the Water Reclamation Facility came down. The City settled its lawsuit concerning the viability of the turbine in 2019.

In total, the City spent \$480,452 in legal expenses throughout the lawsuit. It seemed that the attorneys' clock would not stop during the litigation. Even so, the City's legal counsel represented the City's interests well and got the best out of the settlement that could have been expected given the circumstances. The City may have settled the suit, but will continue to make an annual debt service payment of \$80,157 from the Sewer Fund until 2033.

Perhaps a silver lining is that the wind turbine was razed and removed from El Dorado's skyline, giving hope that this project will soon be lost to time. Demolition of the wind turbine actually generated revenue. The City paid \$24,711 to demolish and remove the turbine, although it received \$47,200 from the sale of surplus materials from the wind turbine. Therefore, the project netted the City \$22,489, which reimbursed the Sewer Fund for a trifling amount of the total project expenses paid from the fund. Even more to the point, the net gain from razing the structure might be considered quite the deal given that it cost \$134,669 to construct the wind turbine in the first place.

It goes without saying that the project had a considerable impact on the City's Sewer Fund, causing the fund's cash reserve to be significantly depleted. The fund has since made a recovery and is now collecting more revenue than it is paying out. It's good to have the project and all its troubles behind us.

**Transient Guest Tax Receipts.** The City collected \$176,466 in transient guest taxes for overnight stays in 2019. Transient guest tax receipts were down 8.3% compared to the prior year. HollyFrontier's turn-around, which is an extensive capital investment program that requires several weeks and well over 1,000 contractors, helped bring in the hotel taxes as non-refinery visits were down. The City often sees a bump in transient guest taxes and sales taxes during turn-around as contractors stay in hotels, shop at the grocery stores, and eat out in restaurants during their brief time in El Dorado. As mentioned in last year's report, the City plans to use the surplus from last year's bumper year to develop a community branding and marketing program. At the time of this writing, the City contracted with the Bajillion Agency to develop this program.

**Sale of Prairie Trails Golf Course.** Last year, the City began a process to sell Prairie Trails Golf Course to GreatLife Golf and Fitness, LLC at an agreed upon price of \$550,000, following receipt of a proposal from the company to acquire the City's golf assets. Unfortunately, the transaction will not be completed as GreatLife was unable to secure financing amid the COVID-19 pandemic. The City, however, was able to off-load the expense of operating Prairie Trails to GreatLife for most of the year. By leasing the golf course to GreatLife, the City was able to "save" the General Fund approximately \$250,000 that have otherwise been transferred had Prairie Trails remained under municipal operation.

**Tennis Court Complex Project.** The City and Unified School District 490 partnered together to construct the Sam Binter Tennis Court Complex in North Main Park. The nearly \$1.6 million project is a great addition to the community, and provides sufficient courts for tennis and pickle ball play. The complex was designed with the goal of hosting a regional high school tennis tournament in the future.

Plans sometimes go according to plan and sometimes they go somewhere else. The tennis court project is an example of a plan taking a slight turn. We arrived at our final destination, although we had to get there by a different route. The original plan was to use the proceeds from the sale of Prairie Trails Golf Course to pay for the majority of the City's share of the project. This was not to be the case as discussed in the prior item. As such, the City will likely have to include its share of the project in an upcoming bond issuance to avoid a significant spend down of fund balance.

I encourage you to stop by and check out the tennis court complex if you have not already done so. I hear they are pretty forgiving for our community's tennis and pickle ball hobbyists and the pros think they are great too!

**Recruitment Challenges.** As I mentioned last year, recruitment is one of the most critical challenges to the City's current level of service. The Police Department has been especially impacted by recruitment challenges with five open positions for the last several years. Other departments have experienced modest challenges in filling vacant positions. People are the City's most important asset because in a service-oriented government, people provide services directly to citizens. There are few other options, at present, to provide these critical services.

To address these challenges, the City has taken a more proactive approach and has tried many different and innovative ways of reaching out to prospective employees. Job fairs, Facebook advertisements, and face-to-face recruiting are just some of the ways departments are working to recruit the next generation of employees. The City also annually reviews its pay plan to determine if adjustments are necessary to compete with public and private sector comparables.

Needless to say, it will become more difficult to fill positions as the workforce begins to retire and fewer warm bodies are available to work. This will be a challenge for both the public and private sector over the next few decades.

**G.O. Bond, Series 2019A.** The City issued \$2.825 million of its general obligation (G.O.) bonds to finance several public projects. The bond financed the following projects over twenty years at an astonishingly low interest rate of 2.6%:

- Belmont Heights 3<sup>rd</sup> Addition, Phase I Improvements (Street and Sanitary Sewer)
- Criss 9<sup>th</sup> Addition Improvements (Street and Sanitary Sewer)
- Belmont Heights 3<sup>rd</sup> Addition, Phase II Improvements (Street and Sanitary Sewer)

- Gueda Street Improvements (Street)
- Locust Avenue Improvements (Street)
- Griffith Street Improvements (Street)
- N. Haverhill Improvements (Street)
- Main Trafficway Improvements (Street)
- Country Club Road Improvements (Street)

The bond will be paid from special assessments on benefiting property owners as well as a mill levy to pay the City at-large portion of projects.

**Underfunded Public Pensions.** Every year in this letter, I report on the status of the City's public pension liability. The City of El Dorado participates in Kansas Public Employees Retirement System (KPERs) and the Kansas Police and Fire (KP&F) program for its post-employment retirement benefits. Employees of the City are required to participate in KPERs or KP&F, and the City is required to contribute to these programs on each respective employee's behalf. State law requires the City to publish in its financial statements the current and future liability associated with the unfunded portion of KPERs and KP&F directly attributed to the City.

As of December 31, 2019, the City's unfunded pension liability totaled \$7.40 million compared to \$7.36 million a year ago. The pension liability may be subdivided as follows: KPERs at \$3.17 million, Kansas Police & Fire (KP&F) at \$4.04 million, and the Library's participation in KPERs at \$199,391.

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The City is required to provide certain language in its transmittal letter, included with its Comprehensive Annual Financial Report ("CAFR") that explains the policies and controls designed to ensure the City's stewardship of public assets. I will briefly discuss these items in this next section of the letter.

The Comprehensive Annual Financial Report of the City of El Dorado, Kansas, for the year ended December 31, 2019, has been prepared for the review of the governing body, citizens, and other interested in the financial condition of the City. Responsibility for both the accuracy of the presented data and the completeness and fairness of the presentation, including all disclosures, rests with the City. Staff believes the data as presented is accurate in all material respects and that it is presented in a manner designed to fairly represent the financial position and results of operations of the City measured by the financial activity of its various funds. Disclosures necessary to enable the reader to gain the maximum understanding of the City's financial activity have been included.

The management of the City is responsible for establishing and maintaining an internal control structure designed to ensure that the assets of the City are protected from loss, theft or misuse, and to warrant that adequate accounting data is compiled to allow for the preparation of financial statements in conformity with generally accepted accounting principles. The internal control structure is designed to provide reasonable, but not absolute, assurance that these objectives are met. The concept of reasonable assurance recognizes that: 1) the cost of a control should not exceed the benefits likely to be derived; and 2) the valuation of costs and benefits requires estimates and judgments by management.

All internal control evaluations occur within the above framework. Management believes that the City's internal accounting controls adequately safeguard assets and provide reasonable assurance of proper recording of financial transactions.

Generally accepted accounting principles, also known by the abbreviation GAAP, require that management provide a narrative introduction, overview and analysis to accompany the basic financial statements in the form of Management's Discussion and Analysis (also referred to as MD&A). This Letter of Transmittal is designed to complement the MD&A section, and should be read in conjunction with it. The MD&A section of the report may be found immediately following the report of the independent auditors.

### **Independent Audit**

State statutes require an annual audit of the books of accounts, financial records and transactions of all departments of the City be performed by independent certified public accountants. Berberich Trahan & Co., P.A., conducted an independent audit of the City's financial statements, and their opinion has been included with the financial statements. Interested persons are encouraged to refer to their opinion in reviewing the City's financial statements.

### **Relevant Financial Policies**

The City of El Dorado's "General Financial and Budgetary Policies," adopted by Resolution No. 2849, have been included with the Comprehensive Annual Financial Report for your information. I recommend interested readers review these policies by referring to the table of contents to determine where the policies are located in this document. These financial policies provide the framework with which the City manages its finances to ensure adequate internal control for the integrity of these financial statements. There were no changes to these policies during the year.

## **ECONOMIC CONDITION AND OUTLOOK**

### Private Sector Investment:

The local economy continues to demonstrate a positive investment environment as projects totaling nearly \$25.4 million were added to the community's inventory. Several of these projects started last year, and are mentioned in this letter because the construction continued into 2019.

The largest projects for the year included a \$7 million capital investment by Union Tank Car in the expansion of its tank car refurbishing facility. The project created well over 100 new jobs and is a great business that fits into El Dorado's industrial base. BG Products, Inc. completed its \$32 million expansion of its warehouse and distribution facility. The taxable valuation of this project is \$19.8 million, which has been granted a ten-year tax abatement until 2029. Mears Fertilizer committed to a \$16 million expansion.

Orscheln Farm and Home Supply, LLC committed to the construction of a \$5 million project. The project will construct a larger store to replace an existing site in El Dorado. Orscheln's has requested use of the City's tax increment financing (TIF) authority to assist with the cost of public infrastructure needed to make their new site viable. The City gets a win-win from the project as a new storefront is built and the former Fenton Ford site is razed, improving one of the most travelled corridors into El Dorado. The project is under construction as I write this letter, and is a welcome investment by Orscheln's.

The City approved the Flint Creek Estates development that will commence construction in 2020. The \$5.3 million residential development will construct thirty-two single-family residential units for moderate income families. The City incentivized the project with tax credits from the Kansas Housing Resources Corporation as a way to bring affordable housing to the community. The developer has similar experience in communities near El Dorado, and so the project looks to be very promising.

The City partnered with another property owner in downtown El Dorado to facilitate the redevelopment of an anchor building with an estimated \$500,000 capital investment. The City applied for, and received, a Commercial Community Development Block Grant to assist with the redevelopment of the building. The property owner plans to lease the building space to small businesses.

The City also had a number of tax-exempt projects totaling \$25.3 million in valuation including the construction of two schools by Unified School District No. 490 (\$24.2 million), Butler County invested \$829,000 in a facility expansion, and the Sunlight Children’s Advocacy purchased and renovated a building with a \$345,000 capital investment.

There were also a number of other projects that are important to the continuing the great investment environment in El Dorado and keeping the economic engine moving forward, although certain constraints prevent me from mentioning them in full detail. The City appreciates all investors who decided to invest capital in El Dorado in 2019 and looks forward to maintaining or growing the momentum in 2020.

In 2019, the City experienced private development activity that contributed nearly \$5.44 million in valuation. Four building permits were issued for new commercial development with an aggregate valuation of \$0.76 million, compared to four new commercial developments in 2018 with a valuation of \$1.875 million. Also during the year, the City issued thirty-five building permits for commercial additions, remodels, and repairs with a valuation of \$4.68 million. Comparatively, the City issued twenty-seven building permits for similar activity with a valuation of \$21.5 million in 2018.

The City issued nine residential building permits for new construction with a valuation of \$1.52 million. The City issued ten building permits for new residential construction in 2018 with a valuation of \$1.86 million. Also during the year, eighty-nine building permits were issued for residential additions, remodels, and repairs, with a valuation of \$1.01 million. In 2018, 104 building permits were issued for the same activity with a valuation of \$1.2 million.

	Residential Construction		Commercial Construction	
	Permits	Valuation	Permits	Valuation
2017	80	\$4.4 m	32	\$34.9 m
2018	114	\$3.1 m	31	\$23.4 m
2019	98	\$2.5 m	39	\$5.4 m

As previously mentioned in this letter, the City of El Dorado broke the previously set retailers’ sales tax record set last year. The City brought in \$2.649 million from retail sales occurring within the corporate limits of El Dorado. The total receipts also include compensation use tax proceeds, which are paid by individuals or businesses purchasing items outside El Dorado but that are delivered to El Dorado. The record-setting sales tax year provides a good indicator for the health of the economy.

Similar to last year’s record collection, HollyFrontier’s second consecutive major turn-around brought thousands of contractors to El Dorado for a few weeks. The contractors stay in hotels, eat in local restaurants, and produce many retail sales during their stay. Much like old cowtowns at the end of the trail, El Dorado should seek to capture all the dollars in these contractors’ pockets while they temporarily reside in our great city. They contribute substantially to the local economy during their brief stay, and provide the means for the City to invest in parks and public facilities well after their departure.

In 2018, one of El Dorado's census tracts was designated as an Opportunity Zone under the Tax Cuts and Jobs Act of 2017. The designation provides special tax benefits on capital gains taxes for investors who invest in projects located within the Opportunity Zone geographical area. Such benefits include deferment of capital gains taxes for a number of years and possible forgiveness of certain capital gains meeting program requirements. Unfortunately, I cannot report that the creation of this special tax district has created much in the way of private investment in El Dorado. There has been one project that has capitalized on the Opportunity Zone designation, but no other projects have occurred (to the best of my knowledge) because of this incentive. For what it's worth, I am told that other Kansas communities similar to El Dorado have been as successful in using this tool to attract private investment.

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### **SUBSEQUENT EVENTS TO THE FINANCIAL STATEMENTS**

The City also makes note of the following events that will affect the 2019 financial statements.

**Prairie Trails Golf Course.** As previously mentioned, the anticipated sale of Prairie Trails Golf Course to GreatLife Golf and Fitness, LLC did not come to fruition. The City had to transition into management on May 1, 2020 just as the golf season was picking up momentum. Fortunately, 111 annual passholders from GreatLife decided to continue with the City and purchased annual passes to play Prairie Trails. The passes will be billed to patrons monthly so the golf course will have a regular inflow of funds to help offset course operations.

The City Commission's ultimate goal is to market the property with the purpose of finding an interested party to purchase and operate Prairie Trails as a golf course. The City will obviously incur some expense during the initial transition and until a suitable buyer may be found. In the meantime, the City will seek to minimize the expense of managing Prairie Trails to reduce its impact on the operating budget. We'll approach our management of the course like I approach my golf game by shooting for as low a score as possible. The General Fund did not budget to spend any money on Prairie Trails, so minimizing expenses will be essential to keeping finances reigned in for the year.

**Airport Lighting Project.** Few in El Dorado may realize that the City owns and operates a federally-funded general aviation airport located about two miles south of town. The airport receives quite a bit of air traffic based on the amount of fuel sold at the airport. In 2019, the City sold 37,189 gallons of aviation fuel at Captain Jack Thomas Memorial Airport.

The City, in partnership with the Federal Aviation Administration (FAA), had been planning a two capital projects to preserve the operation and safety of the air field. The projects replace the lighting systems at the airport. Lights, as it turns out, are essential for pilots to use an airport at dusk and in the evening hours; you have to see the runway to land without incident.

The projects include lighting on both runways and the precision activated path indicator (PAPI) system at an estimated cost of \$800,000. The FAA was originally going to pay 90% of this amount with the City responsible for the remaining \$66,000. The projects later became the beneficiaries of CARES Act funding, and now the FAA will pay 100% of the cost for both of these projects. The total savings to the airport's budget is \$80,000, which equates to about 27% of the airport's budget.

**Health Insurance.** Health insurance seems to one area of the economy where inflation is not only the norm, but is the expectation. The City budgets for large increases to health insurance with the hope that our budgeted number is higher than the actual premiums required to insured our plan. A plan like this, however, is not without its failures. Any increase in health insurance premiums means fewer dollars spent on providing actual services to the public. The City, like many organizations, provides health insurance as a benefit to recruit and retain employees. The City’s plan does not align with the calendar year and seemingly effects two years. We are working to change the plan to a calendar year, and in the meantime will enroll in a six-month plan to get us through to the start of next 2020.

From July 2019 to June of 2020, the City’s health insurance plan required premiums of \$1.6 million. These premiums represent real dollars that provide a benefit to employees and their families. Presently, the City of El Dorado pays nearly 75% of the premium on behalf of the employee. It’s a substantial expense, but one that we feel is both competitive and worthwhile. Keeping employees healthy ensures that the City may continue to provide quality public services to the community. The premiums for the City’s plan are expected to increase 5.9% through the end of 2020.

**COVID-19.** It goes without saying that the COVID-19 pandemic caused much uncertainty for governments in 2020. The pandemic’s two-fold impact on public health and the economy will no doubt affect the City’s 2020 financial statements. To what degree, however, is still largely unknown. At the front end of the pandemic, the City revised its 2020 operating budget (as seen in the chart below) quite substantially in preparation for a significant economic downturn based on discussions from a wide variety of industry experts.

	2020 Adopted Budget		2020 Revised Budget	
	Revenues	Expenditures	Revenues	Expenditures
General	\$9,712,487	\$9,971,089	\$8,575,236	\$10,106,679
Water	\$4,236,700	\$4,177,223	\$3,968,087	\$3,953,057
Sewer	\$2,744,897	\$2,625,647	\$2,448,518	\$2,439,154
Refuse	\$1,568,350	\$1,636,462	\$1,393,146	\$1,558,544
Tourism	\$255,400	\$340,670	\$97,025	\$270,648

Savvy readers will note the *increased* expenditures in the General Fund while all other funds’ expenditures were revised down to reflect the possibility of an economic downturn. The General Fund expenses were increased due to the decision by the City Commission to resume operations at Prairie Trails Golf Course when GreatLife decided to discontinue its lease. The adopted 2020 budget envisioned the sale of the golf course being completed, and so expenses had to increase to reflect this adjustment. Departmental budgets within the General Fund were, however, revised lower.

I anticipated a significant economic impact resulting from decreasing business activity due to COVID-19. As I write this letter, the severity of the economic situation does not appear to be as dire as I had predicted. While service delivery changes may be painful to the community, I believe they were necessary in order to reduce the likelihood of full-time staff reductions should a significant economic downturn have occurred and the City’s financial resources are consequently depleted.

Unfortunately, even the experts were mere amateurs in assessing the pandemic’s duration and scope. No one had the experience or insights needed to assist local governments craft a foolproof

plan, so we did the next best thing and made an educated guess. Even so, the City had to prepare for a worst case scenario because failing to do so may have required even more difficult decisions had such a scenario come to fruition.

There is still a lot we do not know about COVID-19 and its impact to the economy as I write this letter. The City has taken a number of calculated steps to mitigate its risk amid such uncertainty. For example, beginning May 1, 2020, I issued general guidance to employees outlining the following actions were to be taken to save money and prepare for the worst case scenario:

- All salary increases and promotions were suspended;
- Open positions were frozen and advertisement suspended (except for certain public safety positions);
- Large expenses, including fleet replacement, were deferred;
- Suspension of out-of-state travel and limited attendance to in-state conferences/training;
- Pre-approval of all out-of-city travel;
- Department budgets revised to defer certain expenses;
- Planned capital projects postponed or canceled (except for projects already under construction);
- Modification of work schedules to minimize overtime;
- Reductions to seasonal staff; and
- Voluntary early retirement offers were made available.

The silver lining to the COVID-19 pandemic is that the City did not incur substantial expenses for our efforts to protect the public and employees. There may be federal funding to reimburse local governments for COVID-related expenses, although this remains to be seen from Washington, DC or Topeka. Nonetheless, the City continues to provide essential public services to the public even if we had to modify how these services were provided. It has been “interesting” to say the least. I think we can all tell our progeny that we lived the saying “may you live in interesting times.” There will be more to report to you in next year’s letter so stay tuned...

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### **Recognition**

It goes without saying that a municipal government cannot operate and provide public services without a dedicated workforce. The financial statements merely articulate the numbers associated with the provision of such public services; the employees of the City work each day towards the task of serving the public in a myriad of different ways that ultimately make El Dorado a great place to live, work, and play. On behalf of the City, I am extremely appreciative of their hard work and dedication in serving the citizens of El Dorado. Every community in the nation should be so blessed to have such a qualified and committed staff working to make the community a great place. Department Directors and supervisors are also commended for their efforts in leading the daily charge in the delivery of public services.

The Government Finance Officers Association of the United States and Canada (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to the City of El Dorado, Kansas for its comprehensive annual financial report for the fiscal year ended December 31, 2018. This was the forty-first consecutive year that the municipal government has achieved this prestigious award. Not even the UCLA Bruins under the guidance of legendary Coach John Wooden can boast such a record.

In order to be awarded a Certificate of Achievement, a municipal government must publish an easily readable and efficiently organized comprehensive annual financial report. The report must satisfy both generally accepted accounting principles and applicable legal requirements. It should also communicate the City's financial condition in a manner that allows the public to understand such condition and affirm the City's spending meets prudent standards and public expectations. I hope readers will find this year's statements as enthralling as they are informative.

The Certificate of Achievement is valid for one year period only. The City believes that the comprehensive annual financial report for year-ending December 31, 2019 continues to meet the Certificate of Achievement Program's requirements and will submit it to the GFOA for consideration for another certificate.

Respectfully Submitted,



David B. Dillner  
City Manager



Tammy Schaffer  
Finance Director